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HALIFAX
DEVELOPMENTS
LIMITED

file
Annual Report 1974





BUILDING TOMORROWS HALIFAX TODAY



DIRECTORY

BOARD OF DIRECTORS

H. P. Connor	Chairman of the Board, National Sea Products Limited
A. R. Harrington	Business Executive
David J. Hennigar	Atlantic Regional Director, Burns Bros. & Denton Limited
J. J. Jodrey	President, Minas Basin Pulp & Power Company Limited
J. H. Mowbray Jones	Chairman of the Board, Hermes Electronics Limited
L. A. Kitz, Q.C.	Senior Partner, Kitz, Matheson, Green & MacIsaac
M. H. D. McAlpine	President, Robert McAlpine Limited
J. T. MacQuarrie	Partner, Stewart, MacKeen & Covert
H. B. Rhude, Q.C.	Lawyer
W. H. Richardson	President, Balcom-Chittick Limited
Donald R. Sobey	President, Halifax Developments Limited
F. H. Sobey	Honorary Chairman of the Board, Sobeys Stores Limited

OFFICERS

J. J. Jodrey	Chairman of the Board
D. R. Sobey	President
A. R. Harrington	Vice-President
L. A. Kitz	Vice-President
D. B. Hyndman	Vice-President and Secretary
J. M. Doull	Vice-President, Operations
E. D. Fraser	Development Officer

BANK

The Bank of Nova Scotia

SOLICITORS

Kitz, Matheson, Green & MacIsaac;
Stewart, MacKeen & Covert

AUDITORS

H. R. Doane and Company

TRANSFER AGENT AND REGISTRAR

Canada Permanent Trust Company, Halifax, Montreal, Toronto, Calgary

LISTED

Toronto Stock Exchange

HEAD OFFICE

Barrington Tower, Scotia Square, Halifax, Nova Scotia

FINANCIAL HIGHLIGHTS

	1974	1973	1972
Gross Income	\$7,254,678	\$6,002,023	\$5,436,028
Net Income from Operations	\$ 307,367	\$ 139,950	\$ 8,118
Per Share, fully diluted	7¢	3¢	—
Extraordinary Income	—	\$ 249,868	—
Deferred Income Tax	\$ 156,055	—	—
Net Income	\$ 151,312	\$ 389,818	\$ 8,118
Per Share, fully diluted	4¢	9¢	—
Cash Flow	\$ 745,062	\$ 635,345	\$ 372,141
Per Share, fully diluted	17¢	15¢	9¢
Average Shares Outstanding	4,299,552	4,128,135	3,654,944
Shareholders' Equity	\$8,372,554	\$7,970,242	\$6,872,448
Book Value Per Share	\$ 1.94	\$ 1.89	\$ 1.76

REPORT TO SHAREHOLDERS

It is with pleasure that we report new records in total revenues, cash flow and net income from operations for the fiscal year 1974. Cash flow amounted to \$745,062 compared to \$635,345 in the previous year. This gain was achieved despite a non-recurring profit in fiscal 1973. Net income from operations was \$307,367 this year as compared to \$139,950 in the previous year. For the first time, provision has been made in the financial statements for deferred income taxes in the amount of \$156,055, resulting in net income of \$151,312 or 4¢ per share.

In April the Company supplemented working capital by the issue of 9 3/4% General Mortgage Sinking Fund Bonds, Series C in the principal amount of \$2,000,000 due in 1999. Attached to these Bonds were 50,000 treasury shares giving an approximate net annual cost to the Company of 10.25%. In September the Company issued an Income Debenture carrying a floating interest rate substantially below prevailing bank interest rates.

Two significant changes in your Company's investments occurred during the period.

Late in the year your Company sold its shares and notes of Scotia Square Hotel Limited to Canadian Pacific Hotels Limited. Your Company had originally invested in the hotel company to ensure that Scotia Square had within its confines one of Canada's finest hotels. This has been accomplished and has added significantly to the revenues and attractiveness of the total development. The receivables from the hotel company will be repaid with interest by March 31, 1975. The lease for the hotel site has been renegotiated to provide a higher rental plus a continuing participation in the operating results of Chateau Halifax. The funds from this sale will be used as equity in existing and planned future development of Scotia Square and its associated real estate projects.

Secondly, the Company increased its shareholding in Halifax Parking Limited from 30% to 100%. The parking company will continue to operate the parking garage in Scotia Square. As this is the only major garage in downtown Halifax and one of the largest in Canada, it is expected to contribute significantly to the Company's future earnings and cash flow.

In October 1974, MacKeen Towers, the second residential building in Scotia Square, commenced leasing. This tower has been named in memory of Colonel John C. MacKeen, one of the founders of your Company and Chairman of the Board during the formative years. The first apartment building, Scotia Towers, is fully occupied and it is expected that the new tower will have a good occupancy rate by the end of 1975.

The third office building, Cogswell Tower, containing 190,000 square feet of leasable area, is nearing completion and the first tenants will be taking occupancy in the spring of 1975. At present, Duke Tower, Barrington Tower and Trade Mart are fully leased and rental rates for this prime space remain strong. This demand has carried over to the Cogswell Tower where leasing is proceeding satisfactorily.

While initial expenses will be incurred in opening the two new towers, the impact of these expenses on earnings will be moderated by increased rental rates as older leases are renewed.

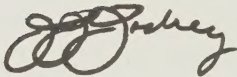
Retail activity in 1974 continued at a high level despite economic conditions and the opening of four new shopping centres in the metropolitan area. Sales volumes increased again continuing the annual increase which has occurred each year since the opening of Scotia Mall in 1969. The continuing interest of national chains in locating in Scotia Mall encourages management to conclude that past trends will continue resulting in greater revenues for your Company.

As 1975 unfolds, the vision of the founders of Halifax Developments Limited comes close to fulfillment. With the opening of the Cogswell Tower, only the former City Market and Police Department site remains to be developed. Nineteen acres of downtown Halifax will have been transformed from a slum area to a centre of commercial and social life. Shareholders can take pride in their participation in this accomplishment.

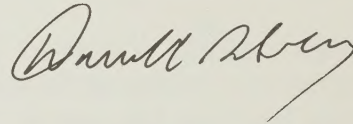
Durham Leaseholds Limited — a 50% joint venture — continues to operate profitably The Royal Bank Building in downtown Halifax. Durham also holds lands adjacent to Scotia Square for future development. During the fiscal year just ended, Durham purchased the Moir factory properties, comprising 80,000 square feet, immediately to the south of Scotia Square. To the east a construction start on Granville Place had been expected in the fall of 1974, but economic conditions have delayed this project. When completed, a pedestrian skyway over Barrington Street will join this development to Scotia Square providing easy access from our modern facilities to the historic properties now being restored on the waterfront.

The Company's progress in 1974 could not have been achieved without the dedication, enthusiasm and hard work of all employees. On behalf of the Board of Directors we wish to express our appreciation for their valuable contributions.

Chairman

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President

A cursive signature in dark ink, likely belonging to the President.

CONSOLIDATED STATEMENT OF INCOME

	December 31	
	1974	1973
Gross income	\$7,254,678	\$6,002,023
Operating expenses	4,104,040	3,120,444
	3,150,638	2,881,579
Net interest expense	2,460,482	2,379,933
	690,156	501,646
Depreciation	384,140	353,183
Amortization of bond discount	54,951	43,369
	439,091	396,552
	251,065	105,094
Investment income (Note 3)	56,302	34,856
Net income from operations	307,367	139,950
Extraordinary income		249,868
Net income before income taxes	307,367	389,818
Deferred income taxes	156,055	
Net income	\$ 151,312	\$ 389,818
Earnings per share (Note 7)		
Net income from operations	\$.07	\$.03
Extraordinary income	\$ nil	\$.06
Net income	\$.04	\$.09

On Behalf of the Board

Director

Director

The accompanying notes form part of this statement.

MENTS LIMITED

Balance Sheet

LIABILITIES	December 31	
	1974	1973
Bank indebtedness	\$ 133,743	\$ 2,069,463
Payables and accruals	962,528	582,095
Income Debenture, due September 30, 1975	2,000,000	
Construction accounts payable	1,544,866	262,542
Long-term debt (Note 5)	34,641,483	27,860,039
Deferred income taxes	156,055	
	39,438,675	30,774,139
SHAREHOLDERS' EQUITY		
Capital stock (Note 8)		
Authorized — 5,000,000 common shares without nominal value		
Issued and outstanding — 4,319,705 shares (1973 — 4,209,305)	7,951,493	7,700,493
Retained earnings	421,061	269,749
	8,372,554	7,970,242
	\$47,811,229	\$38,744,381

AUDITORS' REPORT

To the Shareholders of Halifax Developments Limited

We have examined the consolidated balance sheet of Halifax Developments Limited as at December 31, 1974 and the consolidated statements of income and retained earnings and source and application of cash and cash flow for the year then ended, and have obtained all the information and explanations we have required. Our examination of the parent company included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of the auditors who have examined the financial statements of the subsidiary company, Halifax Parking Limited.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the company, these consolidated financial statements are properly drawn up so as to exhibit a true and correct view of the financial position of the company as at December 31, 1974 and the results of its operations and the source and application of its cash for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

H. R. Doane and Company
Chartered Accountants

Halifax, Nova Scotia
February 24, 1975

CONSOLIDATED STATEMENT OF CASH FLOW

	December 31	
	1974	1973
Net income	\$151,312	\$ 389,818
Non-cash charge		
Depreciation	384,140	353,183
Amortization	54,951	43,369
Deferred income taxes	156,055	
	595,146	396,552
	746,458	786,370
Non-cash credits		
Foreign exchange gain		151,025
Gain on disposal of fixed assets	1,396	
	\$745,062	\$ 635,345
Cash flow per share	\$.17	\$.15

CONSOLIDATED STATEMENT OF SURPLUS

	December 31	
	1974	1973
Retained earnings, January 1	\$269,749	\$(120,069)
Net income	151,312	389,818
Retained earnings, December 31	\$421,061	\$ 269,749

CONSOLIDATED STATEMENT OF SOURCE & APPLICATION OF CASH

	December 31	
	1974	1973
Source		
Operations		
Net income	\$ 151,312	\$ 389,818
Non cash charges — depreciation	384,140	353,183
— amortization	54,951	43,369
— deferred income taxes	156,055	
	746,458	786,370
Non cash credit — foreign exchange gain		151,025
— gain on disposal of fixed assets	1,396	
	745,062	635,345
Net proceeds from sale of investments	27,500	
Net proceeds from sale of property and equipment	2,900	636,719
Issue of mortgage bonds		6,500,000
Issue of capital stock (including debentures converted to shares)	251,000	716,725
Issue of Series "C" mortgage bonds	2,000,000	
Issue of income debentures	2,000,000	
Increase in long-term bank loans	5,365,510	
Net decrease in current receivables and prepaid taxes over current payables	1,698,977	63,334
Decrease in cash	37,457	25,176
	\$12,128,406	\$8,577,299
Application		
Increase in investment in corporate joint venture	\$ 45,022	\$ 167,330
Increase in advances receivable	593,894	48,030
Cost of buildings and construction in progress	8,562,350	1,543,275
Debentures converted to shares	151,000	520,262
Decrease in current bank loans	1,973,177	912,336
Refinancing of long-term debt		5,027,128
Repayment of long-term debt	433,066	358,938
Discount on issue of series "C" mortgage bonds	140,000	
Increase in excess of purchase cost of subsidiary over book value of assets acquired	229,897	
	\$12,128,406	\$8,577,299

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting Policy

- (a) The company is a member of the Canadian Institute of Public Real Estate Companies. The company's accounting policies and its standards of financial disclosure are in accordance with the recommendations of that Institute and the Canadian Institute of Chartered Accountants in all material respects.
- (b) The procedure of capitalizing expenses (net of revenues) is followed in relation to construction in progress. This amounted to \$81,300 for the year ended December 31, 1974 (1973 — \$82,094).
- (c) The sinking fund method of depreciation is used in computing depreciation charges applicable to buildings. Accordingly, depreciation has been computed on the basis of an amount which, compounded annually at a rate of 5%, will amortize the cost of the buildings over forty years. Under this method, depreciation charged to income will increase each year and in the fortieth year will have increased to approximately seven times the amount charged in the first year.
- (d) Bond discount and expense is being amortized on a straight-line basis over the life of the respective bonds.
- (e) Halifax Parking Limited, the subsidiary company, is consolidated herein (for 1974 only) and Durham Leaseholds Limited, the corporate joint venture, is accounted for by the equity method of accounting.

2. Receivable, Scotia Square Hotel Limited

During the year the Company sold its 50% interest in Scotia Square Hotel Limited retaining ownership of the land and certain structures pertaining thereto. The receivable from that company is to be repaid on March 31, 1975.

3. Investment in corporate joint venture (Durham Leaseholds Limited)

The Company's investment in this corporate joint venture with the Oxford Development Group Ltd. is accounted for on the equity basis and summarized as follows:

	1974	1973
Shares, at cost	\$ 150	\$ 150
Share of earnings— equity basis	72,202	27,150
10% advances, at cost	112,500	112,500
Other investments		27,530
	<u>\$184,852</u>	<u>\$167,330</u>

4. Land, buildings and equipment

	1974	1973
Land	\$ 1,483,614	\$ 1,483,614
Buildings and equipment	\$34,376,714	\$34,172,141
Less: Accumulated depreciation (Note 1c)	<u>1,577,879</u>	<u>1,147,858</u>
	<u>32,798,835</u>	<u>33,024,283</u>
Property acquired for future development	161,271	161,271
Construction in progress (Note 1b)	<u>9,665,517</u>	<u>1,263,363</u>
	<u>\$44,109,237</u>	<u>\$35,932,531</u>

The company is constructing and developing a complex known as Scotia Square on approximately 19 acres of land in the City of Halifax comprising shopping malls, offices, apartments, parkade and a hotel. A construction programme has been prepared by the company dividing the entire project into nine stages extending over a period from October 15, 1966 to December 31, 1976.

Construction of Stages I-VI has been completed. These stages were placed on an operating basis on the dated indicated.

Stage I	— Trade Mart — May 1, 1968
Stage II	— Shopping Malls and Parking Garage — April 1, 1970
Stage III	— Duke Tower — April 1, 1970
Stage IV	— Chateau Halifax Hotel — January 29, 1974
Stage V	— Scotia Towers — October 1, 1971
Stage VI	— Barrington Tower — October 1, 1971
Stage VII	— Cogswell Tower — Opening 1975
Stage VIII	— MacKeen Towers — Now Leasing

5. Long-term debt

	1974	1973
8% First Mortgage Bonds, First Series, due April 1, 1996 repayable in level monthly installments of \$91,585 principal and interest.	\$11,310,694	\$11,526,933
Additional interest calculated at 4 ¹ / ₄ % of gross annual rentals from specifically mortgaged premises, is payable at not less than \$100,000 nor more than \$150,000 in any one fiscal year of the Company.		
9 ¹ / ₈ % First Mortgage Bonds, Second Series, due October 1, 1988 repayable in level monthly installments of \$52,095 principal and interest.	6,443,358	6,491,026
8 ¹ / ₄ % First Mortgage loan repayable in level monthly installments of \$17,533 principal and interest to July 1, 1993.	2,016,314	2,061,154
9% First Mortgage loan repayable, in level monthly installments of \$22,436 principal and interest to April 1, 2000.	2,710,374	2,738,693
8% General Mortgage Sinking Fund Bonds, Series A, due August 1, 1993.	2,839,000	2,935,000
8% General Mortgage Sinking Fund Bonds, Series B, due December 31, 1994.	980,000	980,000
9 ³ / ₄ % General Mortgage Sinking Fund Bonds, Series C, due April 1, 1999. Sinking fund payments commence in 1979.	2,000,000	
Convertible subordinated debentures, Series D, due August 16, 1993. During the year \$151,000 of Series D debentures were converted to 60,400 common shares. Debentures may be converted into common shares of the company on the basis of 400 shares for every \$1,000 up to May 6, 1978 and 285 shares for every \$1,000 principal after May 16, 1978 to August 16, 1993.	360,000	511,000
Bank loan due September 30, 1977 on the Cogswell Tower construction in progress.	\$ 3,691,152	\$ 368,000
Bank loan due April 30, 1976 on the MacKeen Towers construction in progress.	2,290,591	248,233
	\$34,641,483	\$27,860,039

Estimated principal and sinking fund payments during the next five fiscal years are as follows:

1975	\$416,704
1976	\$445,231
1977	\$474,879
1978	\$508,564
1979	\$586,250

6. Halifax Parking Limited

Halifax Parking Limited operates the parking garage owned by the Company and during the year ownership was increased from 30% to 100%. The acquisition has been accounted for by the purchase method and the purchase price in excess of net tangible assets acquired has been allocated to excess of purchase cost of subsidiary over book value of assets acquired in the amount of \$229,897. It is intended to amortize this amount against operations over the next 20 years.

7. Per share calculation

Earnings per share were calculated on 4,299,552 shares being the weighted average number of shares outstanding for the year.

8. Capital Stock

	Number of Shares	Per Share	Amount
Balance, December 31, 1973	4,209,305		\$7,700,493
Issued upon conversion of convertible subordinated debentures, Series D, to stock at the rate of 400 shares for every \$1,000 principal	60,400	2.50	151,000
Issued for cash in connection with the issue of Series C, General Mortgage Sinking Fund Bonds.	50,000	2.00	100,000
Balance, December 31, 1974	4,319,705		\$7,951,493

A further 144,000 common shares have been reserved for the conversion of convertible subordinated debentures, Series D.

9. Contingent liabilities

- The company has a contingent liability of \$750,000 relating to the guarantee of bank loans of Durham Leaseholds Limited.
- Sewer development charges in the amount of \$117,942 have been levied against the company by the City of Halifax. The company is disputing the charges and accordingly has not included this amount in its accounts. The case is to be heard by the Supreme Court of Canada.

BUILDING TODAY FOR THE FUTURE

COGSWELL TOWER



BARRINGTON TOWER



TRADE MART BUILDING



Halifax stands in the forefront of major urban centres in shaping an environment that stimulates economic activity while remaining a good place in which to live and work. Our company is proud of the key role it played in leading the revitalization of the heart of this historic and beautiful city through the past decade. 1974 saw the completion of the centre's second apartment building MacKeen Towers on Brunswick Street and Chateau Halifax built in the Grand tradition of Canadian Pacific's fine hotels. Opening in spring 1975 is the prestigious Cogswell Tower office building to give an even greater dimension to Scotia Square's dominance as the business centre of Atlantic Canada.

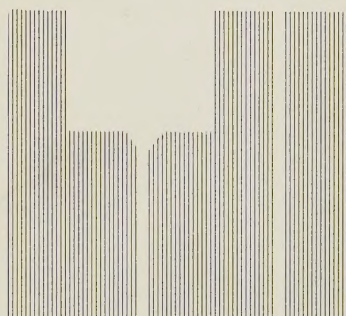


MACKEEN APARTMENT TOWERS



DUKE ST. TOWER





HALIFAX
DEVELOPMENTS
LIMITED

P.O. Box 966, Halifax, Nova Scotia, (902) 429-3660